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Origin

Info:

At appropriate time following receipt ratification notice (Benghazi's 105) ~~you may~~ inform Libyan Government in manner you deem most suitable that funds to carry out first year's commitment of $7 million have been set aside and ~~are~~ now available for economic development ~~as~~ per terms September 9 notes. United States therefore welcomes Prime Minister's interest in early establishment joint economic commission (Point 8, Benghazi's 102) and anxious hear Libyan views on manner and timing applying funds.

FYI Department telegram 140 gave you FOA views on disbursing procedure $3 million (MSP funds) of above $7 million. We have greater latitude with respect remaining $4 million (which come from USAF appropriations) but see merit in depositing them into some type trust account in ~~this country~~ U.S. from which disbursement can be made after specific projects formulated and approved by joint commission. Alternative might be to set up special account in Libya available to joint commission under ~~prescribed~~ agreed rules. Decision depends largely on Libyan attitude, which should be clearer after receipt Pitt-Hardacre's paper. ~~The~~ In last analysis money is Libya's and we wish avoid any appearance welshing on bargain. Nevertheless it is in Libya's interest as well as ours insure money well-spent, particularly for effect on future Congressional appropriations.

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CJC

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[redacted] This dictates wise spending procedures.

Possible further problem is whether Libya under any obligation remit United States economic aid dollars to sterling pool. This we would oppose, considering ~~that~~ United States bidders economic development projects should be on no less favorable footing than those in sterling area.

Probably better leave such details as foregoing to be worked out after return Prime Minister from Egypt mid-November, which will coincide with arrival new United States Ambassador. Meanwhile ~~it~~ may be possible obtain Libyan consent to principles enunciated CA-2425, which would enable us begin recruitment for Executive Director. END FYI

Action on 24,000 tons grain (Benghazi's 63) can also be cited as evidence United States following up promptly on QTE package UNQTE commitment.

Benghazi and Tripoli cautioned again treat as confidential fact USAF is source $40 million economic assistance funds, while at same time avoiding identification these funds with Mutual Security appropriations. September 9 note calls them QTE special purpose funds UNQTE.

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